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Message Text

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51
ACTION NEA-16

INFO OCT-01 EUR-25 EA-11 ISO-00 AID-20 CIAE-00 COME-00

EB-11 FRB-02 INR-10 NSAE-00 RSC-01 TRSE-00 XMB-07

OPIC-12 SP-03 CIEP-02 LAB-06 SIL-01 OMB-01 NSC-07

SS-20 STR-08 CEA-02 PA-04 PRS-01 USIA-15 AGR-20 DRC-01

/207 W
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R 121016Z JUN 74
FM AMEMBASSY ISLAMABAD
TO SECSTATE WASHDC 5204
INFO AMEMBASSY COLOMBO
AMEMBASSY DACCA
AMEMBASSY KABUL
AMCONSUL KARACHI
AMCONSUL LAHORE
AMEMBASSY MANILA
AMEMBASSY NEW DELHI
USMISSION OECD PARIS
AMEMBASSY TEHRAN

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MANILA FOR USADB

E.O. 11652: N/A
TAGS: ECON, PK
SUBJECT: GOP DOCUMENT: PAKISTAN ECONOMIC SURVEY 1973-74

1. SUMMARY. ON JUNE 7, PRIOR TO BUDGET PRESENTATIONS, GOP FINANCE MINISTRY RELEASED ANNUAL ECONOMIC SURVEY: 165 PAGES OF CLOSELY PRINTED TEXT AND 143 PAGES OF TABLES. SURVEY PRESENTS MORE DETAILS THAN IN PREVIOUS YEARS, BUT IS CLEARLY PRODUCT OF MANY HANDS AS IT CONTAINS INTERNAL
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INCONSISTENCIES AND CHAPTERS HAVE DIFFERING STYLES. OVERALL,

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SURVEY IS GENERALLY UP-BEAT DOCUMENT PRESENTING AN ESTIMATE OF CONSTANT PRICE GNP GROWTH OF 6.1 PERCENT, MAINLY CONCENTRATED IN AGRICULTURE AND INDUSTRY. IT NOTES THAT HIGH RATE OF POPULATION GROWTH, ESTIMATED BETWEEN DG AND 3.5 PERCENT, ATE UP HALF THE GROWTH IN INCOME OVER THE LAST TWO YEARS. IT ALLEGES THAT COMBINATION OF WORLD PRICE INCREASES AND FLOODS COST THE ECONOMY APPROXIMATELY 1,100 IILLION EQUIVALENT. IT ACKNEWLEDGES PRESSURES ON DOMESTIC PRICE LEVEL AS A MAJOR CONTINUING PROBLEM, DESPITE GOP SUCCESS IN HOLDING MONETARY EXPANSION TO HALF THAT OF PREVIOUS YEAR. MISSION CONSIDERS GNP ESTIMATES OVERLY OPTIMISTIC AND BELIEVES THAT WHEN FINAL FIGURES ARE RELEASED THEY WILL LIKELY SHOW LOWER AGRICULTURAL AND INDUSTRIAL GROWTH. END SUMMARY.

2. GOP MINISTRY OF FINANCE ON JUNE 7 RELEASED ITS ANNUAL ECONOMIC SURVEY TO NATIONAL ASSEMBLY AND PUBLIC. SURVEY TRADITIONALLY IS RELEASED IMMEDIATELY PRIOR TO BUDGET PRESEMTATIONS. WITH 165 PAGES OF CLOSELY PRINTED, TABLE-DOTTED TEXT AND AN ADDITIONAL 143 PAGES OF SUPPLEMENTARY TABLES, IT IS A MINE OF MISCELLANEOUS INFORMATION AND OPINION ABOUT ECONOMY DESPITE NUMEROUS INTERNAL DISCREPANCIES AND DIFFERENCES WITH OFFICIAL SOURCES.

3. IN GENERAL, SURVEY IS AN OPTIMISTIC DOCUMENT SUGGESTING THAT DEVELOPMENT STRATEGY ADOPTED IN 1972 HAS PRODUCED RESULTS. AGRICULTURAL GROWTH AND INCREASED INDUSTRIAL PRODUCTION ARE HIGHLIGHTED. DIFFICULTIES, INCLUDING CONTINUED INFLATIONARY PRESSURES, ARE LARGELY ATTRIBUTED TO AUTONOMOUS DEVELOPMENTS, INCLUDING WORLDWIDE INFLATION, ENERGY CRISIS AND THE SEVERE FLOODS OF AUGUST-SEPTEMBER 1973.

4. SURVEY HIGHLIGHTS THE PUBLIC SECTOR ROLSOIN DEVELOPING INFRASTRUCTURE AND EXPANDED INDUSTRY. IT IS CONSPICUOUS IN ITS AVOIDANCE OF DISCUSSION OF PRIVATE SECTOR ROLE IN INDUSTRIAL DEVELOPMENT AND INVESTMENT.

5. IT REPORTS THE RATE OF INFLATION IN THE FIRST NINE MONTHS OF THIS YEAR AT ABOUT 25 PERCENT AND NOTES THAT THIS OCCURRED DESPITE STRONG ANTI-INFLATIONARY PROGRAM TAKEN BY THE GOVERN-
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MENT. IT FAVORABLY COMPARES PRESENT STRINGENT MONETARY POLICY WITH WHAT IT DESCRIBES AS ABNORMALLY HIGH RATE OF MONETARY EXPANSION IN FY 72/73.

6. COMMENT. WHILE WE REGARD THE ECONOMIC SURVEY A VALUABLE SOURCE OF INFORMATION, IT IS CLEARLY A DOCUMENT TO BE HANDLED WITHCONSIDERABLE CAUTION. BOTH ITS INTERNAL DISCREPANCIES AND ITTNFZ#AGREEMENTS WITH INFORMATION AVAILABLE ELSEWHERE

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ARE MANY. FOR EXAMPLE, IT CONTINUES TO SHOW COTTON PRODUC-
TION IN 1973/74 AS 3.7 MILLION BALES, ALTHOUGH THE FINMIN
IN HIS SPEECH PRESENTING THE SURVEY AND THE BUDGET DOCUMENTS
TO THE ASSEMBLY GAVE A FIGURE OF 3.5 MILLION BALES, WHICH
WE KNOW REPRESENTS THE LATER THINKING OF FINANCE MINISTRY.
WE BELIEVE THAT FINAL GNP ESTIMATE MAY SHOW CONSIDERABLY
SLOWER GROWTH THAT CURRENT GOP ESTIMATE OF 6.1 PERCENT.
IT LIKELY THAT BOTH AGRICULTURAL AND INDUSTRIAL PRODUCTION

WILL FALL BELOW PRESENT GOP ESTIMATES. IT IS PERHAPS SIGNI-
FICANT THAT THE PRINCIPAL EDITOR OF THE DOCUMENT HAS NOW
BEEN POSTED TO AZAD KASHMIR, A TRANSFER GENERALLY REGARDED
AS A DEMOTION. (ANALYTICAL AIRGRAM WITH COPIES OF DOCUMENT
FOLLOW.)
BYROADE

NOTE BY OC/T: #AS RECEIVED.

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Draft Date: 12 JUN 1974
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